

**SURREBUTTAL TESTIMONY OF JACQUELINE R. CHERRY**

**FOR**

**THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA**

**DOCKET NO. 2003-2-E**

**IN RE: SOUTH CAROLINA ELECTRIC & GAS COMPANY**

**Q. WOULD YOU PLEASE STATE YOUR NAME AND OCCUPATION?**

**A.** My name is Jacqueline R. Cherry. I am employed by the Public Service Commission of South Carolina, Audit Department, as an auditor.

**Q. HAVE YOU PREVIOUSLY FILED DIRECT TESTIMONY IN THIS CASE?**

**A.** Yes, I have.

**Q. MS. CHERRY, DO YOU HAVE ANY COMMENTS CONCERNING THE REBUTTAL TESTIMONY OF MR. GEORGE C. HOW AND MR. CARL KLEIN?**

**A.** Yes, I have. I agree with Mr. How that the 1996 amendment to the South Carolina Code eliminated the authority to recover the total cost of purchased power and provided only for the recovery of "fuel costs related to purchased power". I also agree with Mr. How that since that time this was interpreted to mean costs related to a utility's avoided cost determined in connection with economic purchases of power, and that the practice followed by the Company was that agreed upon with the Commission Staff. For clarification purposes, it should be noted that Staff's agreed upon methodology came out of discussions that dealt with the future audit examination of purchased power costs. Due to changes which were taking place in the industry, such as the introduction of power marketers, and the difficulty in identifying fuel costs, it was determined that the "avoided cost proxy" should be

1 utilized. It was Staff's understanding that the total transaction costs for economy  
2 purchases would be included as long as the "avoided cost comparison" was met. The  
3 "avoided cost proxy" method has been recommended to the Commission by the  
4 Utilities Department Staff and approved by the Commission as the more appropriate  
5 method. However, due to the issues raised in the recent CP&L Fuel case concluded in  
6 March 2003, it was a consensus Staff opinion that a more literal interpretation of the  
7 Fuel Statute concerning "fuel costs related to purchased power" would be more  
8 appropriate. It was also a consensus Staff opinion that this was especially true in  
9 instances where the fuel component could be identified on certain vendor invoices  
10 reviewed by the Staff in connection with our annual review of fuel costs. As stated in  
11 my direct testimony, in a continuing effort to identify the fuel portion of purchased  
12 power, Staff has included only the fuel costs designated as such in those instances  
13 where the fuel component could be identified on invoices, with an appropriate  
14 allocation made to reflect the fuel associated with native load purchases based on the  
15 ratio of MWH purchased for native load, or an adjustment of (\$5,012,249). For the  
16 reasons stated above and for the reasons included in my Direct Testimony, Staff has  
17 also eliminated Wheeling Charges of (\$857,514). Staff has "fined tuned" the use of  
18 the "avoided cost proxy" methodology in those instances where fuel costs could not  
19 be identified, as of this fuel hearing, by using an "avoided fuel cost proxy". Staff  
20 would agree that the costs eliminated above are recoverable through the Fuel Clause  
21 as approved by FERC. However, Staff's recommendations included herein are based  
22 on the South Carolina Code and the components to be included in the Fuel Clause as  
23 approved by this Commission.

24  
25 Concerning Mr. Klein's rebuttal testimony on the use of the dollar amounts listed as  
26 "Fuel" on invoices from other companies, Staff agrees with Mr. Klein that the sources  
27 of the "Fuel" category on an invoice may be varied. However, as stated previously, in  
28 order for Staff to continuously work towards being more closely aligned to the current  
29 fuel statute, on a source document such as an invoice which is used as an auditing tool

1       when possible, if a company can categorize its information to a point that a fuel  
2       component can be listed, then the Staff should utilize that cost. Staff realizes that  
3       most of the companies that SCE&G transacts economic dispatch purchases with do  
4       not include fuel components on their invoices. However, for those utilities that this  
5       Commission regulates, it is expected that those utilities would continue to reflect a  
6       fuel component on their invoices.

7       **Q. MRS. CHERRY, DOES THIS CONCLUDE YOUR SURREBUTTAL**  
8       **TESTIMONY?**

9       **A. Yes, it does.**